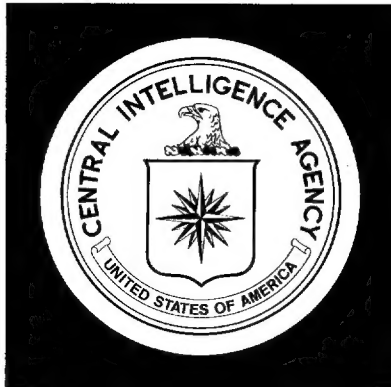


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Intelligence Memorandum

*The Preparations of the Developing
Countries for UNCTAD IV*

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April 2, 1976

The Preparations of the Developing Countries for UNCTAD IV

Summary

Discussions between developed and developing countries are intensifying as preparations proceed for the Fourth UN Conference on Trade and Development (UNCTAD IV) in Nairobi from May 5-28 and the year-long Conference on International Economic Cooperation (CIEC) gets under way in Paris.

The conjunction of the two meetings provides an opportunity to achieve progress on diverse North-South issues by balancing third-world demands—for which UNCTAD has come to be the main forum—with patient exposition of industrial-country interests in the restricted CIEC session. The developing countries clearly want the developed states to agree at the least to certain basic points of principle—such as a joint producer-consumer, comprehensive approach to commodity trade; and debt renegotiation for the least-developed—at UNCTAD. The existence of CIEC and its four commissions, however, provides a longer time frame to negotiate developing country demands and thus encourage a more orderly process than is characteristic of the politicized atmosphere of major UNCTAD sessions.

This outcome would be upset, however, if the developed countries approach the UNCTAD session with empty hands and mere promises of future commitments in the CIEC—particularly if the actual work in the CIEC commissions is not very advanced by May. For the developing countries, UNCTAD IV is too important a forum to be played down simply because an alternative body appears on the scene.

The developing states feel, moreover, that their basic demands for “reform” of the international economic system do not need restatement, having been sufficiently spelled out in the Declaration on the Establishment of the New International Economic Order, the Charter of Economic Rights and Duties of States, and the UNIDO Declaration. The developing countries also claim that the developed states, no matter how grudgingly, have accorded these demands a certain recognition and that what is now required is negotiation of specific agreements to bring about a “just” realignment between the North and South.

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The developing countries' frustration may well lead them to concentrate their attacks on the North in those political forums where their "automatic majorities" give them at least the appearance of power. For their part the developed countries are sensitive to actions in these bodies, which can have implications for domestic policies, bilateral and multilateral relations, and the whole range of international responsibilities that require cooperation among nations.

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Background and Significance of UNCTAD IV

The success of the UN General Assembly's Seventh Special Session last fall in apparently promoting North-South dialogue was due in large part to its not being a negotiating forum, but one at which third-world demands were answered by generally conciliatory gestures from the industrialized states. It thus established a relatively harmonious climate, but one which may not easily be regained if this year's meetings seem to prove only that debate is starting again from first principles. The developing countries believe that developed country credibility is at stake; commitments made in September must be acted upon at the May UNCTAD meeting. And having for the most part muted their rhetoric, the developing countries expect some reward for their forbearance at Nairobi.

The developing countries need a successful plenary session of UNCTAD in order to maintain and even enhance the prestige which the organization has in their view of the UN system. UNCTAD has traditionally been important for the developing states; their initiative established the conference and all its secretary generals have been from developing states. UNCTAD's Secretariat has in the past served as a source for economic programs pressed by the developing countries—the Generalized System of Preferences (GSP), for example, was adopted through UNCTAD lobbying.

The establishment of the CIEC has provided the developing states with still another reason for wanting UNCTAD IV to be productive and successful. A disruptive UNCTAD session would adversely affect the CIEC negotiating atmosphere, and the developing states have made clear their intention to use both forums to pursue similar goals.

Not all the developing states, however, have been entirely comfortable with the emergence of CIEC as an alternative and potentially competitive forum for developed-developing country economic negotiations. Perhaps its principal advantage is the opportunity it offers to present their economic demands under circumstances in which their biggest guns, the OPEC states, are brought to bear. Moreover, the developing states feel that CIEC can be exploited simply because—in contrast to UNCTAD—the developed states themselves expect to gain something from CIEC.

CIEC's restricted membership nevertheless worries the developing countries not represented in Paris, since this limits the control they can exert over the proceedings of the individual CIEC working commissions. For the first time some developing countries will formally be serving as brokers for the group as a whole in attempting to wrest concessions from the developed states. Those left out fear the temptation may exist to sacrifice group objectives to narrow interests.

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Moreover, there is concern that the disproportionate representation of OPEC states—seven of the 19 developing countries are OPEC members—will lead the conference to focus on their specific economic problems rather than on broader developing country needs. There have already been debates among the developing countries in Paris over agenda items which the OPEC states do not wish to consider. Brazil and Jamaica, for example, have pushed for a full conference airing of the balance of payments problems of developing countries. OPEC states are strongly opposed to any such discussion because it would point up how much the four-fold OPEC oil price increase contributed to these difficulties.

The developing states are almost paranoid about perceived efforts to split their ranks. Their sensitivity to this threat has so far contributed to their solid cohesion in Paris. And while some individual developing countries that are rich in critical resources can bargain effectively on certain issues without group solidarity, most of them feel that continued and concerted pressure by all of them will be needed to improve the prospects for concessions in negotiations with the developed states.

To ensure that this cohesion continues and to maximize their impact on the commissions' proceedings, the developing countries have attempted to establish links between the full group and their representatives at Paris, both organizationally and substantively. The organizational arrangement is largely informal and appears designed primarily to inform the excluded countries of the conference's proceedings, although some provision is made for feedback to Paris from the developing countries' groups in New York and Geneva.

The Manila Document

The negotiating objectives of the 19 are broadly spelled out in the document drawn up by the developing countries at their recent ministerial meeting in Manila. The Manila Declaration and Program of Action, as it is called, will supplement the negotiating position the 19 drew up in January. It is also the platform of the developing countries for the UNCTAD session.

Prior to the Manila meeting, the three regions of the group—Asian, African and Latin American—held preparatory meetings at which they drew up regional positions. Although the extensive differences among these regional positions were reportedly aired in Manila, no resolution was achieved, and the program of action reflects this. Almost the entire gamut of traditional developing country demands—even those that did not have full support—are included in the program as negotiating objectives, probably because no developing country was willing to deny another the opportunity to press its case. Despite the program's "comprehensiveness," however, efforts at Nairobi will be concentrated on the commodities and debt issues.

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Split Over Commodities

The issue over which the developing countries apparently had their strongest arguments at Manila was action on commodities—specifically “decisions on an integrated program” and a timetable for its implementation. The so-called Integrated Program (IP) is the cornerstone of the commodity policy of the developing countries. Worked out by the UNCTAD Secretariat—which remains the program’s strongest proponent, the IP is intended to address the developing countries’ contention that they cannot plan their long-term development because they are uncertain of the revenues to finance it either from external assistance or from their own export earnings.

The IP calls for the stabilization of export prices with national or international buffer stocks financed by a common fund. The fund would for the most part be supported by the developed countries, although developing states in a position to do so would also contribute. Philippines President Marcos announced during the Manila meeting that his country would give \$50 million to the fund, and Indonesia may offer a similar amount. The conference also called on UNCTAD to recommend to the IMF “improvements” in its compensatory financing facility.

The splits at Manila over commodities were largely along regional lines—primarily between the Latins and Africans—and centered on two issues: the products to be covered in the IP and the preferred access for raw materials exports that some developing states currently enjoy. The Latins apparently felt that the list of products to be covered under the IP reflected only African interests, and for this reason they argued that the meeting should not decide on a final product list. The Latins also expressed opposition to the idea that all existing commodity arrangements should be canceled, since they are satisfied with the currently operating coffee agreement.

The Latin-African division over the commodities coverage issue is a long-standing one, and Manila did not resolve it. The 18 products finally listed in the Manila program include those of most interest to both groups, although the list is not conclusive. The question of continued participation in individual commodity organizations was left up to individual governments to decide.

In the discussion of manufactures and semi-manufactures, the Africans opposed the original group position of universal nondiscrimination because they do not want to give up the preferential treatment they now receive from the EC under the Lome Convention. The Latins in particular argued that this preferred access is at variance with the universality of generalized preferences and would lead to regional or special interest blocs among the

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developing states. The dispute was again papered over, the final position calling for improved preferential arrangements which "take into account" the special advantages of certain countries and the need to protect these interests.

Debt Issues and Resource Flows

Another issue which precipitated disagreement at Manila was the debt and resource flow problems of many developing countries. The UNCTAD Secretariat proposed at the meeting the establishment of a multilateral financial institution to fund short-term debts of developing countries and called for virtually automatic debt consolidation without regard to individual countries' needs.

The Asians and Africans generally supported the Secretariat proposal, but the more advanced developing countries, particularly the Latins, insisted it be moderated. The Asians and Africans nevertheless stuck to their demands for an International Bank for Debt Redemption, renegotiation of existing debts with payment to begin in 25 years, and an UNCTAD-sponsored conference between major creditor and debtor nations. The Latins pushed instead for a greater voice for developing countries in existing organizations such as the World Bank. The Latin states generally enjoy better credit ratings than the other developing states and do not want to see them jeopardized through closer links to the poorer credit risks.

The final Manila program was an amalgam of all these positions, the developing countries again choosing to throw in everything rather than limit negotiating options. In addition to the standard requests—implementation of the 0.7 percent official development assistance target by the developed countries, an increase in lending from multilateral finance institutions—proposals for a new financial institution and for a debtor-creditor conference were thrown in. The results of the Jamaica IMF meetings in January were discounted as welcome but insufficient.

UNCTAD's Future Status

Future institutional arrangements in UNCTAD were also extensively discussed but, reportedly, little controversy surfaced. The difficulties in establishing the UN Industrial Development Organization (UNIDO) as a UN specialized agency have apparently alerted many developing countries to the disadvantages of a similar status for UNCTAD. Instead of pushing for its autonomy within the UN system, the developing countries, therefore, called for strengthening of UNCTAD's existing functions and transforming it into an "effective and central negotiating organ...in the field of trade and international economic cooperation."

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For the most part, the remainder of the Manila document contains standard developing country positions. For the first time, however, specific demands are made on the socialist countries which are clearly placed outside the developing country grouping.

The sections of the declaration dealing with industrial development largely repeat provisions of the Lima Declaration on Industrial Development and Cooperation. Discussion of the Multilateral Trade Negotiations reaffirmed the importance to the developing countries of the Tokyo Declaration and requested the developed countries to implement immediately the commitments they undertook in the declaration. In line with this, it also called for immediate consideration of reform of the General Agreement on Tariffs and Trade, including Part IV, dealing with trade relations with developing countries.

Trade and Development Board Meeting

At the recent meeting of the Trade and Development Board—the final preparatory step for UNCTAD IV, the developing countries strongly defended their Manila recommendations. They argued that the program offers sufficient latitude for acceptance by the developed countries of at least some of its proposals. They emphasized, however, that their group was willing to consider seriously and debate any alternatives the developed countries presented.

The pleas of the developing countries for a Northern response were probably in part tactical. Although comprehensive, the Manila program reflects the usual least-common-denominator of developing country positions. Most of them probably realize that greater specificity of objectives runs the risk of exposing divisions—which no developing state is willing to do in the absence of a serious negotiating offer from the developed states.

The developing countries, although admitting their differences, have been quick to caution the developed countries against divisive maneuvers. Perez-Guerrero, the highly respected third-world leader and the developing countries' co-chairman at the Paris CIEC, emphasized the futility of such strategies and asserted that such thoughts on the part of the North are "wishful thinking."

While specific developed-country responses to the problems of the developing countries could go far toward furthering trust between the two groups, this undoubtedly will not be sufficient to satisfy all demands. The South's grievance against the North is primarily a political one. The developing states argue that the industrialized states owe them retribution for earlier exploitation and this "debt" encompasses more than just economic

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concessions. Many of the developing states deplore an international system that they had no role in establishing and in which they feel they are treated as second-class citizens. Developed-country arguments that the real bargaining should take place in meetings under GATT or the IMF thus only beg the question from the developing-country perspective, since they overlook demands for reform of "the system."

The developing countries believe that to threaten to extend the OPEC experience to other commodities may not be taken sufficiently seriously to give them the leverage to bring about change. And muscle-flexing actions in such arenas as the UN General Assembly—by equating Zionism with racism, for example—do little to further the Third World's image as a responsible and equal partner. The developing states are nevertheless aware that a number of considerations—ex-colonial ties, humanitarian compunctions, or the desire to secure raw materials or export markets—do compel the developed countries to take their relations with third-world countries more seriously, both bilaterally and multilaterally.

Indeed, even the erosion of the international institutional order—as weak as it often appears—has its costs for the industrialized countries. Many institutions of the UN family serve developed country interests—the nuclear safeguards of the IAEA are one example that is very much in the news at present. In addition, there are important functions that only the international community can carry out—peacekeeping duties, negotiation of a law of the sea, international environmental responsibilities. For them to be successful, some modicum of cooperation among developed and developing states is indispensable.

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